

MINUTES

MONTANA SENATE 56th LEGISLATURE - REGULAR SESSION

COMMITTEE ON FINANCE AND CLAIMS

Call to Order: By **CHAIRMAN CHUCK SWYSGOOD**, on March 22, 1999 at 9:02 A.M., in Room 108 Capitol.

ROLL CALL

Members Present:

Sen. Chuck Swysgood, Chairman (R)
Sen. Tom Keating, Vice Chairman (R)
Sen. Tom A. Beck (R)
Sen. Chris Christiaens (D)
Sen. William Crismore (R)
Sen. Eve Franklin (D)
Sen. Greg Jergeson (D)
Sen. Bob Keenan (R)
Sen. J.D. Lynch (D)
Sen. Dale Mahlum (R)
Sen. Ken Mesaros (R)
Sen. Ken Miller (R)
Sen. Arnie Mohl (R)
Sen. Linda Nelson (D)
Sen. Debbie Shea (D)
Sen. Mike Taylor (R)
Sen. Mignon Waterman (D)

Members Excused: Sen. Daryl Toews (R)

Members Absent: None.

Staff Present: Shannon Gleason, Committee Secretary
Clayton Schenck, Legislative Branch

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing(s) & Date(s) Posted: HB 302, HB 524, HB 555,
3/19/1999

Executive Action: None

HEARING ON HB 302

Sponsor: REP. BILLIE KRENZLER, HD 17, BILLINGS

Proponents: Peter Blouke, Department of Commerce
Robyn Hampton, Department of Commerce
Ellen Engstead, Human Resource Development
Council

Opponents: None

Opening Statement by Sponsor:

REP. KRENZLER advised the Micro Business Development Corporation (MBDC) was established in 1991 with \$3,500,000.00 of Coal Tax Trust money to make loans for small businesses. REP. KRENZLER stated the business must be unable to obtain a loan from a bank, have under 10 employees, and generate less than \$500,000.00 in profit. REP. KRENZLER passed out EXHIBIT(fcs64a01), the four key points of the bill and explained each.

Proponents' Testimony:

Peter Blouke, Department of Commerce, rose in support of the bill and advised the committee the bill is important to Montana's economic development. It allows people on welfare to obtain loans to start business and gets people out of the welfare system. Mr. Blouke advised the organizations borrowing money from the fund actually supported the administration of the system through interest repaid on the loans.

Robyn Hampton, Department of Commerce, read EXHIBIT(fcs64a02) and handed out EXHIBIT(fcs64a03), EXHIBIT(fcs64a04), and EXHIBIT(fcs64a05).

Ellen Engstedt, Human Resource Development Councils(HRDC), advised there were six of the ten councils offering Micro Business loans. This was one way local communities help support growth. Ms. Engstedt advised there was a concern with local HRDC supporting the administrative costs.

Questions from Committee Members and Responses:

SEN. CHRISTIAENS asked what percentage of the fund were used to cover administrative costs and what administrative functions were performed. Ms. Hampton advised the unused portion of the \$6,000,000.00 is \$1,100,000.00 that earns approximately 7%. The

budget for the state level of **MBDC** is \$125,000.00 and comes from the special administrative account funded by interest from the development loans. **Ms. Hampton** advised it would total \$100,000.00. **SEN. CHRISTIAENS** wanted to know exactly what services were covered. **Ms. Hampton** advised the intent was not to spend more money at the state level, but use the money to reduce interest rates charged in the program. **SEN. CHRISTIAENS** stated **Ms. Hampton** had said the money would be used for technical assistance, and now she states it would be used to reduce interest. **SEN. CHRISTIAENS** wanted to know what the money would be used for. **Ms. Hampton** advised the reduction in interest rates.

SEN. CHRISTIAENS wanted to know how many people were on welfare that are now off. **Mr. Blouke** advised he did not know for sure, however **HRDC** had advised him of several cases. **SEN. CHRISTIAENS** thought if that was going to be an argument for this bill it should be factual, not hearsay. **Mr. Blouke** stated he did not mean to imply that was the full intent of the program. There are several other economical benefits to the program.

SEN. MOHL asked where the money was deposited. **Ms. Hampton** advised there were two accounts utilized: A Development Loan Account, which consists of the principle and the Administrative Account, which is the interest received from the loans.

SEN. MOHL wanted to know what the loan limit was and why the \$250,000.00 was being corrected. **Ms. Hampton** advised the \$250,000.00 was removed to correct language left in the law from raising the loan limit from \$250,000.00 to \$500,000.00 by the last session.

SEN. TAYLOR asked how much the administrative costs were at the local level. **REP. KRENZLER** advised each area is different and depends on the interest generated. **SEN. TAYLOR** wanted to know how much was charged in origination fees for administering the program. **REP. KRENZLER** advised each is different. **SEN. TAYLOR** gave an overview of the program as he understood it and **REP. KRENZLER** advised he was correct.

SEN. TAYLOR stated it appeared 33% of the employees were lost in addition to loan losses of \$303,000.00 and wanted to know what the loss of employee retention was. **Ms. Hampton** advised the figures for employee retention were not accurate since loans are granted to existing companies. Once a project is done the employees are shown as a loss.

SEN. TAYLOR wanted to know the percentage allowed for origination fees. **Ms. Hampton** advised anything reasonable, and the average

was 10% to 11%. The interest generated is used to cover administrative costs.

SEN. MAHLUM was concerned with the write offs and wanted an explanation. **Ms. Hampton** advised the loans are usually written off after half of the loan is repaid. **MBDC** makes every effort to secure the collateral and there is training in collections. {Tape : 1; Side : A; Approx. Time Counter :9:24}

SEN. KEATING wanted to know how many state employees were involved in the program and how much the administrative fees were. **Mr. Blouke** advised there were two state employees and the percentage to support **HRDC** staff varies in each area.

SEN. KEATING wanted to know if the money from the Coal Tax Trust was interest, diverted tax, or a direct allocation from the fund, and how the loan loss was recovered for the fund. **Dr. Blouke** advised the money was diverted directly from the fund and the set aside used for loans was not reverted back to the Coal Tax Trust, it was a revolving loan program.

SEN. KEATING advised he was trying to figure out how much state revenue was used to cover this program. **SEN. KEATING** did not believe the program was self supporting from the interest on loans. **Mr. Blouke** advised he was unsure of the cost but the expenses were not for the state program, they were used by **HRDC** at local levels.

SEN. KEATING wanted to know the average hourly rate or income level these jobs provide.

Closing by Sponsor:

REP. KRENZLER advised she represented the legislature on the Micro Business Advisory Council for the last two years. All the **MBDC** have received grants to help with the administrative costs from US WEST and other corporations. **REP. KRENZLER** explained 3% of the interest went to Department of Commerce, 2% of the funds went to the loan loss reserve fund, and the balance is used for operations. These operational costs include, salary, loan planning for clients, researching businesses, and follow up work after the loan review board approves the loans. **REP. KRENZLER** gave two examples of people who were on welfare prior to the loan and are now off welfare. **REP. KRENZLER** advised the interest income provides \$5,000.00 annually to each **HRDC** area and did not feel it was a huge cost for what the program provides.

HEARING ON HB 524

Sponsor: REP. BILL EGGERS, HD 6, CROW AGENCY

Proponents: REP. CAROL JUNEAU, HD 85, BROWNING
Peter Blouke, Department of Commerce

Opponents: None

Opening Statement by Sponsor:

REP. BILL EGGERS advised the committee this bill allows the tribal governments to participate in the Treasure State Endowment Program (TSEP), and noted the bill had been amended to require any disputes on projects to be handled in the District Court rather than the Tribal Court. REP. EGGERS advised there was a concern raised by REP. BERGSAGEL about the priority criteria and he has spoke to Mr. Edgecomb to resolve the issues.

Proponents' Testimony:

Peter Blouke, Department of Commerce, rose in support of the bill. The department is interested in the economic development of the reservation and improved infrastructure is desperately needed on the reservation. The Department of Commerce is aware of the criteria concerns raised by REP. BERGSAGEL and they are willing to help overcome them.

REP. CAROL JUNEAU, rose in support of the bill.
{Tape : 1; Side : B; Approx. Time Counter : 0}

Questions from Committee Members and Responses:

SEN. TAYLOR asked where the certified cities bill was. Mr. Blouke advised the bill had been heard by committee and the amount reduced to \$370,000.00.

SEN. TAYLOR asked REP. EGGERS if this was a step to give up sovereignty and attempt to work with the people in Montana. REP. EGGERS advised this was an effort to close the gap, and felt the state and the tribes had something to offer each other. REP. EGGERS advised the Crow Tribe has contributed \$15,000,000.00 to TSEP and has received nothing in return. This was not step to give up sovereignty, but a move of cooperation.

SEN. KEATING wanted to know what the Certified Communities Program was. Mr. Blouke advised it was a program to assist communities in researching resources for business and based on a

formula the state will grant funds to the assist communities. **Mr. Blouke** advised the program is not currently funded. **SEN. KEATING** advised if the program was not funded the primary interest from the tribes must be for **TSEP** funds focusing on infrastructure. **Mr. Blouke** advised to have local economic development infrastructure was necessary.

SEN. KEATING asked if there was a care spending grant that would apply to the tribes. **Andy Poole**, Department of Commerce, advised there was a federal program Native Americans could qualify for called Community Development Block Grants (**CDBG**). It is very difficult to access the funds. **SEN. KEATING** asked if any funds had been received. **Mr. Poole** advised he was unaware of any grant applications approved. **Jim Edgcomb**, Department of Commerce, advised the state **CDBG** has funded some programs as well as Indian Health Service and EPA. **SEN. KEATING** asked if the tribal governments were eligible for **TSEP** money. **Mr. Edgcomb** advised they were not. Cities and towns were eligible but the government itself was not. *{Tape : 1; Side : B; Approx. Time Counter : 9:50}*

SEN. NELSON asked **REP. EGGERS** to explain the waiver of immunity for lawsuits. **REP. EGGERS** advised it was appropriate if the tribes wanted to participate in the state program it follow state rules.

SEN. CHRISTIAENS noted there were two mechanics in the bill: one was the Certified Community Program (**CCP**), and he wanted to how the reduction to **CCP** money would affect the bill. **REP. EGGERS** advised it would not effect the bill.

SEN. CHRISTIAENS wanted to know why the Department of Commerce could not assist in receiving federal funds. **Mr. Blouke** advised the tribes are operating independently of the state for Federal money and he would not be involved with that.

SEN. CHRISTIAENS wanted to know if the tribes were eligible for state **CDBG** money. **Mr. Blouke** advised they were not.

CHAIRMAN SWYSGOOD noted the city of Browning could apply for the **TSEP** money but the tribal government could not. **Mr. Blouke** advised that was correct and added the Tribal Governments would be subject to the same qualifications and process as anyone else applying for the funds.

CHAIRMAN SWYSGOOD added the **CCP** was grant money to help assist in developing needed grant information.

Closing by Sponsor:

REP. EGGERS noted this was not an attempt to double dip from the state and federal governments. This would provide a means by which the tribes could develop needed infrastructure.

HEARING ON HB 555

Sponsor: REP. JOE MCKENNEY, HD 49, GREAT FALLS

Proponents: Peter Blouke, Department of Commerce
 John Lawton, City of Great Falls
 Terry Pehan, Great Falls Chamber of Commerce
 City of Hardin
 City of Glasgow
 Tim Ryan

Opponents: None

Opening Statement by Sponsor:

{Tape : 1; Side : B; Approx. Time Counter : 10:00}

REP. JOE MCKENNEY advised this bill was an attempt to attract **Venture Star** to the state using state and local bonds to build infrastructure for the project. This bill worked with another bill that reduced equipment tax. **REP. MCKENNEY** advised **Venture Star** would bring 300 to 400 high paying jobs in addition to 2000 to 3000 supporting jobs into the state. **REP. MCKENNEY** advised the bonds would be paid back by increasing the personal and commercial income tax base in the state. **REP. MCKENNEY** noted if Montana is not awarded the project nothing would be lost because the bonds would not be issued until the project was awarded.

Proponents' Testimony:

Peter Blouke, Department of Commerce, rose in support of **Venture Star** and felt Montana had a good chance to receive the project. Four cities from the state were applying for the project. **Mr. Blouke** felt this would significantly add economic opportunities in the state.

John Lawton, City Manager for Great Falls, explained the bond issue and noted this was a tried successful way to develop infrastructure and the city of Great Falls used it in assisting the financing of the Pasta Factory. **Mr. Lawton** advised there was another bill that reduced the equipment tax for **Venture Star** as an incentive to locate in Montana. There also was a bill to assist the selected community with funding for draft proposals.

Terry Pehan, Great Falls Chamber of Commerce, advised Montana is competing with 15 other states and this helps make Montana competitive the other states. **Mr. Pehan** stressed on behalf of **Great Falls, Hardin, and Glasgow** Venture Star was needed to bring Montana out of last place, and added Venture Star would provide a broad economic base for the state.

Tim Ryan, High Plains Development Authority, passed out **EXHIBIT (fcs64a06)**, what the state did for the super collider, and felt Montana was a strong contender for the Polar Orbit Station with Venture Star. **Mr. Ryan** advised Montana needs to be more competitive while still being responsible with the tax base. **Mr. Ryan** felt the state and universities would benefit from the project. The project would allow graduates to stay in state to utilize their education. Project engineers are required to attend continuing education classes. **Mr. Ryan** advised the preferred in-state site would be selected by **Lockheed Martin** by the end of May. A site specific proposal would then be prepared and presented to Venture Star. **Mr. Ryan** stated the selected community would receive assistance from the other communities with the proposal, because Venture Star was so important for the entire state of Montana.

Questions from Committee Members and Responses:

{Tape : 1; Side : B; Approx. Time Counter : 10:19}

SEN. WATERMAN wanted to know where the appropriation money for the proposal was. There was some discussion by the committee and it was decided the sponsor of the bill was **REP. WITT** but no one knew the bill number.

SEN. JERGESON asked what the annual debt service was. **Mr. Poole** advised if all \$20,000,000.00 was issued for a 20 year term at 5% interest it would be \$1,600,000.00 per year. **SEN JERGESON** wanted to know how many jobs would be required to offset the tax breaks. **Mr. Poole** handed out **EXHIBIT (fcs64a07)** and explained the chart to the committee.

SEN. KEATING asked where the bond level for the state was.

CHAIRMAN SWYSGOOD advised the state well below the limit.

{Tape : 2; Side : A; Approx. Time Counter : 0}

CHAIRMAN SWYSGOOD noted the funding for the bonds was interesting and it would be an obligation to the state. **CHAIRMAN SWYSGOOD** wondered if there would be a period of time the state would have to pay for the debt service. **Mr. Poole** advised the bonds would not be issued until the next biennium, and immediately after the bonds were issued the construction phase would begin. **Mr. Poole**

felt the increased income tax generated from the construction would be enough to carry the debt load until the project was completed.

Closing by Sponsor:

REP. MCKENNEY advised Montana was once ranked 10th in income but because of the decline in the Natural Resource Industry Montana has fallen significantly behind other state. **REP. MCKENNEY** felt **Venture Star** could bring Montana back in line with the other states and listed the requirements for the project: sparse population, high elevation, Northern geographic location, abundant water, Natural Gas, electricity, and financial incentives. Six of the seven Montana already has, this bill would provide all seven requirements.

ADJOURNMENT

Adjournment: 10:33 P.M.

SEN. CHUCK SWYSGOOD, Chairman

SHANNON GLEASON, Secretary

CS/SG